



FINANCE AND BUDGET COMMITTEE  
October 18, 2006

**SUBJECT: FY07 TEN-YEAR FORECAST**

**ACTION: RECEIVE AND FILE REPORT ON FY07 TEN-YEAR FORECAST**

**RECOMMENDATION**

Receive and file the attached summary of the FY07 Ten-Year Forecast for the Enterprise Fund (bus and rail operating and capital forecast).

**ISSUE**

The ten-year financial forecast, using current revenue and expense assumptions, indicates that Metro's bus and rail operating and capital programs are financially challenged. Major capital projects and the regional subsidy programs do not exceed the forecasted revenues and, therefore, are considered financially sound.

**DISCUSSION**

The ten-year forecast reflects only actual Board policy decisions and approved commitments to date. Only known revenues are included and growth in those revenues is projected on long-term historical trends. No new revenue sources are included. Costs for known commitments are included at their actual values. Costs for years beyond the current commitments are generally escalated at CPI. The major construction projects are assumed to be fully funded as adopted in the Long Range Transportation Plan. The forecast also indicates that there are available PC40% and General Fund reserves that could be applied to attempt to balance operating and capital programs. Since appropriations of those monies will require future Board actions, they are not applied in the forecast.

Solutions to balance the operating and capital expenses and revenues must encompass a combination of reducing costs and raising revenues. Metro embarked on an aggressive cost containment strategy beginning in FY03. These efforts have continued through FY07. Metro will also continue to look at service delivery to ensure that the system is serving the most people in the most efficient manner possible. No fare changes are assumed in the ten-year forecast because there is no Board approved policy. Without fare changes, the farebox recovery ratio remains in the mid to low 20% range. Periodic fare changes are required to

bring the farebox recovery ratio up to an acceptable level concurrent with federal and state transit industry standards.

### **FINANCIAL IMPACT**

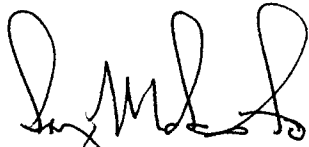
Approval of this report will not impact the FY07 budget. Actual business planning parameters for the FY08 budget will be brought to the Board for approval in January 2007.

### **NEXT STEPS**

In conjunction with the Financial Stability Policy, a fare policy and deficit reduction strategies will be brought to the Board for approval prior to development of the FY08 budget. The ten-year forecast will also set the framework for development of a two-year short-term operations and capital improvement budget planning document.

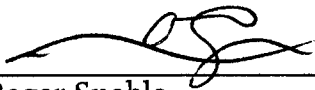
Prepared by the Office of Management and Budget

Attachment



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Terry Matsumoto  
Executive Officer, Finance and Treasurer



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Roger Snoble  
Chief Executive Officer

**Los Angeles County Metropolitan Transportation Authority**  
**FY07 Ten-Year Forecast**  
**FY 2005 - FY 2016**  
**Bus and Rail Operating and Capital**  
**Statements of Revenues and Expenses**

(Amounts in \$millions)		FY05	FY06	FY07	FY08	FY09	FY10	FY11
		Actual	Budget	Amended	Forecast	Forecast	Forecast	Forecast
1	Operating revenues:							
2	Passenger fares	270.1	264.2	279.0	284.7	289.0	295.5	302.2
3	Advertising	14.7	15.7	16.2	18.6	21.4	21.1	21.3
4	Total operating revenues	284.8	279.9	295.3	303.3	310.4	316.5	323.5
5								
6	Operating expenses:							
7	Operating	825.0	875.4	926.3	964.2	981.1	1,018.5	1,065.3
8	General & administrative	160.1	189.9	198.0	206.0	209.9	220.4	234.5
9	Operating expenses, excluding depreciation:	985.1	1,065.3	1,124.3	1,170.3	1,190.9	1,238.9	1,299.8
10								
11	Operating loss	(700.3)	(785.4)	(829.1)	(866.9)	(880.6)	(922.3)	(976.3)
12								
13	External operating subsidies and grants (other expenses):							
14	External operating subsidies, grants	225.3	222.6	191.3	123.8	141.9	72.2	101.1
15	Debt (expense)	(15.2)	(14.5)	(14.3)	(14.0)	(13.9)	(13.8)	(13.8)
16	Total external operating subsidies and grants (other expenses):	210.1	208.1	177.0	109.8	128.0	58.4	87.3
17								
18	Operating gain (loss)	(490.2)	(577.3)	(652.1)	(757.2)	(752.6)	(863.9)	(889.0)
19								
20	Debt service & capital grants / contributions:							
21	Local							
22	Capital	2.2	4.7	1.9	17.8	17.2	-	-
23	Debt service grants/other revenues	2.5	13.0	2.4	2.3	2.2	-	-
24	Proceeds from financing	185.6	167.5	156.6	37.4	(64.9)	56.1	199.4
25	State - capital	21.0	68.5	167.6	179.7	213.8	154.4	62.7
26	Federal - capital	221.6	269.6	189.3	200.2	217.3	226.8	201.2
27	Total debt service & capital grants / contributions	432.9	523.2	517.8	437.4	385.6	437.3	463.3
28								
29	Capital program:							
30	Operating capital	207.2	191.5	218.4	232.1	232.2	296.8	358.1
31	Major construction	360.8	413.3	408.9	336.3	263.1	223.7	194.2
32	Total capital program expenses	568.0	604.8	627.3	568.5	495.3	520.5	552.3
33								
34	Debt service expenses:							
35	Interest expense	143.3	164.4	152.3	146.2	139.9	133.8	127.3
36	Principal payments	153.8	103.8	111.9	120.8	126.9	130.5	136.4
37	Services	(2.1)	2.1	2.4	4.7	4.6	4.6	4.5
38	Total debt service expenses	295.1	270.3	266.5	271.7	271.4	268.9	268.3
39								
40	Subsidy transfers In	920.5	929.1	1,028.1	1,055.4	1,002.5	994.4	1,022.2
41								
42	Net surplus (deficit)	-	-	-	(104.6)	(131.1)	(221.6)	(224.1)
43								
44	Net surplus (deficit) from:							
45	Operations	-	-	-	(104.6)	(131.1)	(221.6)	(224.1)
46	Capital Program	-	-	-	-	-	-	-
47	Debt	-	-	-	-	-	-	-
48	Net surplus (deficit)	-	-	-	(104.6)	(131.1)	(221.6)	(224.1)

**Los Angeles County Metropolitan Transportation Authority**  
**FY07 Ten-Year Forecast**  
**FY 2005 - FY 2016**  
**Bus and Rail Operating and Capital**  
**Statements of Revenues and Expenses**

(Amounts in \$millions)		FY12	FY13	FY14	FY15	FY16	FY07-FY16
		Forecast	Forecast	Forecast	Forecast	Forecast	Total
1	Operating revenues:						
2	Passenger fares	308.2	313.4	318.4	325.3	330.4	3,046.3
3	Advertising	21.3	21.3	21.3	21.3	21.3	205.0
4	<b>Total operating revenues</b>	<b>329.5</b>	<b>334.7</b>	<b>339.7</b>	<b>346.6</b>	<b>351.7</b>	<b>3,251.2</b>
5							
6	Operating expenses:						
7	Operating	1,085.5	1,112.3	1,145.7	1,185.9	1,215.5	10,700.4
8	General & administrative	239.2	245.1	252.3	263.7	271.0	2,340.2
9	<b>Operating expenses, excluding depreciation:</b>	<b>1,324.7</b>	<b>1,357.4</b>	<b>1,398.1</b>	<b>1,449.6</b>	<b>1,486.5</b>	<b>13,040.5</b>
10							
11	Operating loss	(995.2)	(1,022.7)	(1,058.3)	(1,103.0)	(1,134.8)	(9,789.3)
12							
13	External operating subsidies and grants (other expenses):						
14	External operating subsidies, grants	100.8	88.6	59.6	58.6	59.1	996.9
15	Debt (expense)	-	-	-	-	-	(69.8)
16	<b>Total external operating subsidies and grants (other expenses):</b>	<b>100.8</b>	<b>88.6</b>	<b>59.6</b>	<b>58.6</b>	<b>59.1</b>	<b>927.1</b>
17							
18	Operating gain (loss)	(894.4)	(934.1)	(998.7)	(1,044.5)	(1,075.7)	(8,862.2)
19							
20	Debt service & capital grants / contributions:						
21	Local						
22	Capital	11.2	18.6	7.5	7.5	5.0	86.7
23	Debt service grants/other revenues	-	-	-	-	-	6.8
24	Proceeds from financing	319.5	553.8	230.0	251.5	217.5	1,956.9
25	State - capital	-	-	-	-	-	778.3
26	Federal - capital	209.4	212.9	347.2	252.4	182.8	2,239.7
27	<b>Total debt service &amp; capital grants / contributions</b>	<b>540.2</b>	<b>785.3</b>	<b>584.7</b>	<b>511.4</b>	<b>405.3</b>	<b>5,068.3</b>
28							
29	Capital program:						
30	Operating capital	366.2	434.3	373.6	380.6	368.0	3,260.5
31	Major construction	251.6	432.9	322.7	282.6	184.0	2,900.0
32	<b>Total capital program expenses</b>	<b>617.8</b>	<b>867.2</b>	<b>696.3</b>	<b>663.2</b>	<b>552.0</b>	<b>6,160.5</b>
33							
34	Debt service expenses:						
35	Interest expense	120.8	114.0	107.0	100.1	92.8	1,234.1
36	Principal payments	142.4	148.2	154.5	164.2	171.5	1,407.2
37	Services	4.4	4.3	4.2	4.1	3.9	41.7
38	<b>Total debt service expenses</b>	<b>267.6</b>	<b>266.5</b>	<b>265.7</b>	<b>268.3</b>	<b>268.2</b>	<b>2,683.0</b>
39							
40	Subsidy transfers In	1,016.0	1,052.8	1,133.4	1,218.9	1,241.9	10,765.5
41							
42	<b>Net surplus (deficit)</b>	<b>(223.6)</b>	<b>(229.8)</b>	<b>(242.7)</b>	<b>(245.7)</b>	<b>(248.7)</b>	<b>(1,871.8)</b>
43							
44	Net surplus (deficit) from:						
45	Operations	(223.6)	(229.8)	(242.7)	(245.7)	(248.7)	(1,871.8)
46	Capital Program	-	-	-	-	-	-
47	Debt	-	-	-	-	-	-
48	<b>Net surplus (deficit)</b>	<b>(223.6)</b>	<b>(229.8)</b>	<b>(242.7)</b>	<b>(245.7)</b>	<b>(248.7)</b>	<b>(1,871.8)</b>

**Los Angeles County Metropolitan Transportation Authority**  
**FY07 Ten-Year Forecast**  
**FY2005 - FY2016**  
**Capital Program**

(Amounts in \$millions)

	<b>FY05 Actual</b>	<b>FY06 Budget</b>	<b>FY07 Amnd</b>	<b>FY08 Forecast</b>	<b>FY09 Forecast</b>	<b>FY10 Forecast</b>	<b>FY11 Forecast</b>
Capital Project Funds							
1 Revenues:							
2							
3 Federal	228.1	269.6	189.3	200.2	217.3	226.8	201.2
4 State	72.9	107.2	221.9	241.5	271.1	215.4	123.6
5 Local	268.9	227.5	215.9	119.1	6.8	78.4	227.6
6 Total Revenues	570.0	604.3	627.1	560.8	495.3	520.5	552.3
7							
8 Bus Expenses							
9 Bus acquisitions	97.1	91.5	88.6	84.0	86.0	88.1	90.4
10 Continued Project	66.0		55.7	20.5	4.3	4.4	-
11 New Project	16.2	63.7	50.2	75.5	94.4	96.9	99.4
12 Total Bus	179.3	155.2	194.5	180.0	184.7	189.4	189.8
13 Rail Expenses							
14 New Project	4.4	-	8.0	-	7.5	18.6	21.6
15 Continued Project	26.6	36.3	15.8	32.1	13.0	2	-
16 Rail Rehab	-	-	-	20.0	27.0	86.3	146.6
17 Total Rail	26.6	36.3	23.8	52.1	47.5	107.4	168.2
18 Total Bus & Rail CP	205.9	191.5	218.2	232.1	232.2	296.8	358.0
19 Major Construction							
20 MGL Eastside Extension	182.2	221.4	214.0	133.8	58.6	7.7	-
22 MidCity/Expo LRT	8.1	43.3	119.1	153.9	188.7	129.9	4.7
23 MidCity/Expo LRT - Phase II	-	-	-	7.5	5.0	5.0	78.7
24 LRT Fleet Enhancement (P2550)	10.4	36.3	39.0	23.9	3.2	-	-
25 MGL Eastside Enhancement	-	7.9	1.8	3.2	-	-	-
26 LA Rail Car	4.0	-	-	-	-	-	-
28 Crenshaw LRT	-	-	-	3.9	5.0	29.1	30.6
29 Red Line	33.4	-	-	-	-	-	-
30 Red Line Extension to Fairfax	-	-	-	-	-	-	-
31 Metro Orange Line	119.8	71.2	14.6	-	-	-	-
32 Metro Orange Line Bikeway	5.9	2.8	0.9	-	-	-	-
33 SFV North South Corridor Transit BRT	-	-	-	8.1	2.6	40.0	58.0
34 Canoga Station Park & Ride	-	17.4	12.0	-	-	-	-
35 Lankershim Depot Restoration	-	-	1.3	2.0	-	-	-
36 MidCity/Wilshire Transit Corridor ( BRT)	-	-	-	-	-	12.0	22.2
38 Closeout Projects	0.3	12.6	6.3	-	-	-	-
39 Total Major Construction	364.1	412.8	408.9	336.3	263.1	223.7	194.2
40 Total expenditures	570.0	604.3	627.1	568.5	495.3	520.5	552.2
41 Surplus/(Deficit)	-	-	-	-	-	-	-

**Los Angeles County Metropolitan Transportation Authority**  
**FY07 Ten-Year Forecast**  
**FY2005 - FY2016**  
**Capital Program**

(Amounts in \$millions)

	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>Total</b>	<b>Deficit By</b>	
	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>FY07 - FY16</b>	<b>Element</b>	
Capital Project Funds								
1 Revenues:								1
2								2
3 Federal	209.4	212.9	347.2	252.4	182.8	2,239.7	-	3
4 State	62.8	64.7	66.7	68.8	74.3	1,418.3	-	4
5 Local	345.6	589.6	282.4	342.0	294.9	2,502.1	-	5
6 <b>Total Revenues</b>	<b>617.8</b>	<b>867.2</b>	<b>696.3</b>	<b>663.2</b>	<b>552.0</b>	<b>6,160.2</b>	<b>-</b>	6
7								7
8 Bus Expenses								8
9 Bus acquisitions	92.9	95.5	98.2	101.1	103.8	928.5	-	9
10 Continued Project	-	-	-	-	-	84.8	-	10
11 New Project	102.0	104.7	107.4	110.2	113.0	953.7	-	11
12 <b>Total Bus</b>	<b>194.9</b>	<b>200.1</b>	<b>205.5</b>	<b>211.3</b>	<b>216.8</b>	<b>1,967.1</b>	<b>-</b>	12
13 Rail Expenses								13
14 New Project	22.2	22.7	23.3	23.9	24.6	172.4	-	14
15 Continued Project	-	-	-	-	-	63.4	-	15
16 Rail Rehab	149.1	211.5	144.8	145.4	126.6	1,057.3	-	16
17 <b>Total Rail</b>	<b>171.3</b>	<b>234.2</b>	<b>168.1</b>	<b>169.3</b>	<b>151.2</b>	<b>1,293.1</b>	<b>-</b>	17
18 <b>Total Bus &amp; Rail CP</b>	<b>366.2</b>	<b>434.3</b>	<b>373.6</b>	<b>380.6</b>	<b>368.0</b>	<b>3,260.2</b>	<b>-</b>	18
19 Major Construction								19
20 MGL Eastside Extension	-	-	-	-	-	414.1	-	20
22 MidCity/Expo LRT	-	-	-	-	-	596.3	-	22
23 MidCity/Expo LRT - Phase II	136.7	285.8	153.7	66.0	5.9	744.3	-	23
24 LRT Fleet Enhancement (P2550)	-	-	-	-	-	66.1	-	24
25 MGL Eastside Enhancement	-	-	-	-	-	5.0	-	25
26 LA Rail Car	-	-	-	-	-	-	-	26
28 Crenshaw LRT	67.4	125.2	157.0	216.6	178.1	812.9	-	28
29 Red Line	-	-	-	-	-	-	-	29
30 Red Line Extension to Fairfax	-	-	-	-	-	-	-	30
31 Metro Orange Line	-	-	-	-	-	14.6	-	31
32 Metro Orange Line Bikeway	-	-	-	-	-	0.9	-	32
33 SFV North South Corridor Transit BRT	-	-	-	-	-	108.7	-	33
34 Canoga Station Park & Ride	-	-	-	-	-	12.0	-	34
35 Lankershim Depot Restoration	-	-	-	-	-	3.4	-	35
36 MidCity/Wilshire Transit Corridor ( BRT)	47.5	21.9	12.0	-	-	115.6	-	36
38 Closeout Projects	-	-	-	-	-	6.3	-	38
39 <b>Total Major Construction</b>	<b>251.6</b>	<b>432.9</b>	<b>322.7</b>	<b>282.6</b>	<b>184.0</b>	<b>2,900.0</b>	<b>-</b>	39
40 <b>Total expenditures</b>	<b>617.8</b>	<b>867.2</b>	<b>696.3</b>	<b>663.2</b>	<b>552.0</b>	<b>6,160.2</b>	<b>-</b>	40
41 <b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	41

ATTACHMENT A  
SUMMARY OF CHANGES TO TIER 1 AND RAPID PROPOSED FOR THE DECEMBER 2006 SHAKE-UP

LINE NUMBER	LINE NAME	DAY	DESCRIPTION OF CHANGE
<b>SAN GABRIEL VALLEY SECTOR</b>			
85	Verdugo Rd	ALL	Separate service from Line 28 (W. Olympic Bl.). Operate service only between Verdugo Rd & Eagle Rock Bl to Glendale College and renumber to Line 685. Service to downtown L.A. would continue to be provided by Metro Line 84
<b>SAN FERNANDO VALLEY SECTOR</b>			
94/394	L.A.-San Fernando Local/Limited	ALL	Operate as two separate lines: Line 94A via regular route from Olive View Medical Center to Sun Valley, then via Lankershim Bl to North Hollywood Station and extend from North Hollywood Station to Universal City Station and renumber to Line 224. Line 94B via regular route from Sun Valley and to Downtown Los Angeles; Retain original branch route of Line 94 between Sylmar Station and downtown L.A. Cancel Line 394 and reallocate resources to new Metro Rapid Line 794 in June 2008 or later.
152 new 153	Fallbrook Av-Roscoe Bl-Vineland Av-Burbank	DX	Retain existing route along Fallbrook Av to Ventura Bl to new eastern terminal at North Hollywood Station and approve branch route 153 via San Fernando Rd. instead of Glenoaks Bl between Tuxford St. and Sunland Blvd.
156	Panorama City-North Hollywood-Hollywood	ALL	Retain existing route, except for a minor reroute of a one-half mile segment from Lankershim Blvd to Vineland Ave. Operate Line 156 Owl Service as a separate line and renumber as Line 656.
166	Northhoff St. - Lankershim Bl	ALL	Shorten line in Sun Valley at Glenoaks Bl. And Branford St. and convert selected trips to provide proposed new Line 364 limited stop service along same alignment; Cancel Sun Valley to Universal City Station segment and replace Lankershim Bl.
240	Reseda Bl-Ventura Bl	ALL	Retain existing route on Ventura Blvd., to Universal City Station and reallocate resources to new Metro Rapid Line 741 on weekdays only.
<b>363 (Branch Route of Line 353)</b>			
NEW 364	Topanga Canyon Bl-Sherman Way-Victory Bl-North Hollywood Station	DX	Reroute service to Sherman way and Lankershim Bl between Van Nuys and North Hollywood Station. Segments along Van Nuys Bl, Victory Bl., Laurel Canyon Bl and Oxnard St., cancelled.
NEW 741	Northhoff St. Limited Reseda Bl., Metro Rapid	DX	Operate new limited stop service along shortened Line 166 (See Line 166).
<b>CAUWAY CREEK SECTOR</b>			
53	Central Ave.	DX	Operate new Metro Rapid service along Reseda Bl between Northridge and Tarzana on weekdays only. (See Line 240).
55		DX	Operate new limited-stop Line 350 between downtown Los Angeles & Avalon Station.
<b>SOUTHERN SECTOR</b>			
111	Florence Av	ALL	Operate new limited-stop Line 355 between downtown Los Angeles & Firestone Station.
204	Vermont Av	ALL	Cancel service between Norwalk Green Line Station and Whitwood Mall and replace with new shuttle or extension of an existing line. Deploy high capacity articulated buses and reschedule service levels to maintain the existing seating capacity, widening headways by approximately 30%.